

AR51

ANNUAL REPORT



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1964

ANNUAL REPORT

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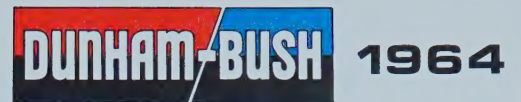
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	1964
Sales.....	\$39,979,000
Federal and Foreign Taxes.....	368,000
Net Income.....	472,000
Earnings Per Common Share*.....	.36
Current Ratio.....	2.9
Working Capital.....	14,456,000
Net Worth.....	12,281,000
Net Worth Per Common Share*.....	9.52
Number of Employees.....	2,280
Number of Preferred Shares Outstanding.....	1,600
Stockholders—Common.....	5,467
Stockholders—Preferred.....	157

*Based on 1,272,725 shares outstanding at Sept. 30, 1964

Financial Highlights



1963	1962	1961	1960	1959	1958
\$41,384,000	\$38,842,000	\$32,688,000	\$33,106,000	\$33,004,000	\$32,226,000
438,000	702,000	347,000	496,000	618,000	461,000
562,000	525,000	273,000	526,000	625,000	407,000
.43	.40	.21	.40	.48	.31
3.1	2.0	2.1	2.1	2.1	2.4
14,830,000	9,327,000	8,669,000	8,561,000	8,718,000	8,375,000
12,058,000	11,521,000	11,039,000	10,788,000	10,512,000	10,378,000
9.34	8.91	8.51	8.30	8.08	7.96
2,380	2,350	2,000	1,900	2,000	1,842
1,768	1,820	2,103	2,240	2,324	2,513
6,080	6,228	6,576	6,818	6,891	6,826
162	165	183	187	202	203



To Our Stockholders, Employees and Friends:

During the 1964 fiscal year, consolidated sales were slightly lower than last year. Sales in the U.S.A. were adversely affected by a slowness in construction of the type of commercial projects that utilize our range of air conditioning and refrigeration products. The Canadian market experienced a highly competitive situation in their heating products line. Although we did make substantial sales gains in England, they were not sufficient to offset these factors.

As a result of the decrease in sales, our earnings were less than the prior year. Had it not been for the effect of our extensive Profit Improvement Program, our earnings would have been lower.

Both sales and earnings were well below our expectations.

EARNINGS AND SALES

Net earnings for the fiscal year ended September 30, 1964 amounted to \$472,000 or \$.36 per common share (after preferred dividends of \$9,000) as compared to net earnings of \$562,000 or \$.43 per common share last year.

This net income was earned on sales of \$39,979,000 as compared to sales of \$41,384,000 for last year.

FINANCE

The working capital of your Company was \$14,456,000 as compared to \$14,830,000 for the previous year, with a ratio of current assets to current liabilities of 2.9 to 1.

There was no cash or stock dividend declared for fiscal 1964. The usual preferred stock dividend was paid to the preferred stockholders.

In 1962 we sold a former Brunner plant at Utica, New York, and took a second mortgage in order to effect the sale. The party purchasing this plant went into bankruptcy and we were forced to write off this year an additional \$106,000 in connection with the sale of this facility.

MANUFACTURING FACILITIES

A further addition was completed during our past fiscal year at the Portsmouth plant in England. We concluded the purchase of 20 acres of property adjoining our plant at Marshalltown, Iowa, which provides us with additional storage facilities and allows for possible future expansion at that location.

During fiscal 1964 it was decided to close our Heat-X plant at Brewster, New York, and consolidate the manufacturing of the products from that plant at our West Hartford, Connecticut, and Marshalltown, Iowa, plants. It was not necessary to enlarge either West Hartford or Marshalltown to absorb this production.

In addition, it was decided to consolidate our two plants in Canada and, therefore, the Port Hope, Ontario, plant is being consolidated with our Weston, Ontario, plant. This consolidation has required the addition of 20,000 square feet to the Weston plant. The Port Hope plant was sold in December 1964.

At the writing of this report, the Heat-X plant move has been completed and the Port Hope move will be completed by December, 1964. By consolidating these two plants with our other facilities, without sacrificing any of their sales volume, we will effect a very substantial reduction in operating overhead both in the U.S.A. and Canada even though, during 1965, we will absorb some moving and idle plant costs.

After the consolidation, as outlined above, your Company will have four plants in the United States, one in Canada and one in England with manufacturing and storage facilities consisting of 876,000 square feet.

MARKETING

It was decided during 1964 that the long-range earning potential of your Company would be increased if its future production, marketing and distribution efforts were expanded in the area of engineered equipment and systems for the commercial, institutional and industrial fields. Our present production facilities and distribution methods preclude the hope that we will become a major factor in the small commercial and residential package field. We will continue to produce and market both components and completed packages in this area but will concentrate our talent and know-how in the direction of engineered equipment and systems.

This decision in no way changed our basic marketing setup as our products will continue to be distributed through air conditioning and refrigeration wholesalers, heating wholesalers, contractors and original equipment manufacturers.

It is our program to continually expand our own sales office coverage throughout the world. This expansion of sales coverage will come about largely through our enlarged sales training program. During this past year, we have added one licensee, bringing the number of our international licensees to eight. Our sales throughout the world are carefully coordinated between our licensees, our manufacturing plants and our sales offices.

RESEARCH AND ENGINEERING

Having made the decision to place our future on the sale of engineered systems, our efforts during the past fiscal year have been largely to complete redesigns of our existing product lines. Also, to expand the product lines with those modifications necessary for the sale of engineered systems throughout the refrigeration, air conditioning and heating markets.

During the past year, we introduced two complete power plant systems for use in supermarkets and warehouses known as the SUPER 4 SYSTEM and the SUPER MARKETEER. These have been well received by the supermarket industry. These power plants provide all the refrigeration and air conditioning requirements for the supermarket in one package as well as most of the heating requirements by the use of reclaimed condenser heat from the refrigeration units.

We have known for some time that we must have compressors of greater capacity to obtain our share of the larger engineered systems in the commercial, institutional and industrial field. Our Research and Development Department is in the final stages of design of equipment to be used in this area and we expect to introduce this line in late 1965.

Our new approach to the design of smaller compressors is progressing well and we plan to introduce redesigned smaller compressors in 1966.

The decision to concentrate a greater effort for sales in the industrial market has made it necessary that a great deal of time be spent on the development or redesign of our products to more adequately supply that market. In most cases this has meant modification but in other cases has meant additions to our centrifugal pump line, our steam trap line and various other product areas. It is planned that this program will be continued and expanded.

EMPLOYEES

During the past year the following changes were made in the management group of your Company: L. Leslie Garnsey, formerly Secretary, is now Secretary and Treasurer; Edmund Adams, formerly National Service Manager, is now Director of National Accounts; Allen A. Lincoln, formerly Sales Office Manager at Philadelphia, is now National Sales Manager. In addition, a number of key personnel in the Heat-X and Port Hope operations have been transferred to other plants. F. E. Schmidt, formerly Vice President of the C. A. Dunham Company and long-time Director of the C. A. Dunham Company, resigned as a Director. Mr. Howard L. Richardson, formerly President of The Stanley Works at New Britain, Connecticut, has joined our Board of Directors.

Our total employment throughout our various plants at the end of 1964 was 2,280 employees. We are again fortunate that our employee relations have continued on a most satisfactory basis and, as always, we want to express our appreciation for the efforts of our many loyal employees.

OUR PROSPECTS

Toward the end of fiscal 1964 we were able to increase some prices on our various products in the U.S.A., Canada and England. Our entire current lines of compressors have been either newly designed or redesigned since the acquisition of Brunner Manufacturing Company in 1957, which is resulting in greater acceptability. With this accomplished and the fact that the old Brunner five-year warranty expires at the end of January 1965, the burden carried by our Compressor Division should be greatly reduced. The plant consolidation, outlined above, will save your Company substantial overhead during the present fiscal year. There is some indication that the construction areas in which we have been adversely affected are beginning to improve. We have a continuing and aggressive Profit Improvement Program. Our sales group throughout seems to have stabilized and would appear, therefore, better qualified to sell in our competitive market.

With all these things considered, we have good reason to expect improved results during fiscal 1965 and the years to follow.



President

DUNHAM-BUSH, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30

ASSETS

Current Assets:	<u>1964</u>	<u>1963</u>
Cash	\$ 1,235,518	\$ 1,432,820
United Kingdom bonds, at cost (market value, \$114,974)	126,450	
Receivables, less allowances: \$188,173; \$256,145	8,157,310	8,100,650
Inventories at the lower of cost (generally first-in, first-out) or market	12,575,416	12,125,243
Prepaid expenses	<u>127,727</u>	<u>96,007</u>
Total current assets	22,222,421	21,754,720
United Kingdom bonds, at cost (market value, \$118,440)		126,450
Property, plant and equipment, less depreciation and amortization	6,919,617	6,984,538
Goodwill		217,750
Deferred charges and other assets	<u>777,433</u>	<u>362,754</u>
	<u>\$29,919,471</u>	<u>\$29,446,212</u>

LIABILITIES

Current Liabilities:	<u>1964</u>	<u>1963</u>
Notes payable to banks	\$ 1,900,000	\$ 1,639,215
Long-term debt due within one year	632,474	213,131
Accounts payable and accrued expenses	4,923,856	4,618,684
Federal and foreign income taxes	<u>309,715</u>	<u>453,403</u>
Total current liabilities	7,766,045	6,924,433
Foreign income taxes (noncurrent portion)	228,200	180,600
Long-term debt	<u>9,644,722</u>	<u>10,283,359</u>
Total liabilities	17,638,967	17,388,392

STOCKHOLDERS' EQUITY

Preferred stock	160,000	176,800
Common stock	2,545,450	2,545,450
Capital surplus	2,277,733	2,283,790
Retained earnings	<u>7,297,321</u>	<u>7,051,780</u>
	<u>\$29,919,471</u>	<u>\$29,446,212</u>

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Income and Retained Earnings

years ended September 30

	<u>1964</u>	<u>1963</u>
Net sales	<u>\$39,978,884</u>	<u>\$41,384,492</u>
Costs and expenses: (includes depreciation of \$1,004,707 and \$950,036)		
Cost of products sold	28,793,604	29,629,256
Selling, engineering and administrative expenses	9,743,895	10,223,780
Interest	724,228	621,212
Other (income), net	(122,991)	(90,096)
Federal and foreign taxes on income	<u>368,300</u>	<u>438,000</u>
	<u>39,507,036</u>	<u>40,822,152</u>
Net income	471,848	562,340
Retained earnings, beginning of year	<u>7,051,780</u>	<u>6,809,585</u>
	<u>7,523,628</u>	<u>7,371,925</u>
Deduct:		
Dividends paid:		
\$5 Preferred stock	8,557	8,965
Common stock—5% stock dividend		311,180
Write-off of unamortized goodwill	<u>217,750</u>	<u> </u>
Retained earnings, end of year	<u><u>\$ 7,297,321</u></u>	<u><u>\$ 7,051,780</u></u>

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. The following U. S. dollar amounts (translated at appropriate rates of exchange) in respect of foreign subsidiaries are included in the consolidated financial statements:

	<u>1964</u>	<u>1963</u>
Net assets	\$ 5,329,949	\$ 4,954,383
Net income	\$ 395,624	\$ 441,861

2. At September 30, 1964, property, plant and equipment, at cost, comprise:

Land	\$ 405,818
Buildings and improvement	4,486,682
Machinery and equipment	8,525,722
Construction in process	209,021
	<u>13,627,243</u>
Less, allowances for depreciation and amortization	<u>6,707,626</u>
	<u>\$ 6,919,617</u>

3. At September 30, 1964, long-term debt consists of:

6% subordinated debentures, due April 1, 1977, less \$5,600 in treasury	\$ 2,764,093
5 $\frac{3}{4}$ % promissory notes, annual prepayments of \$420,000, 1965 through 1979 and unpaid balance on September 1, 1980	7,500,000
Other	13,103
	<u>10,277,196</u>
Less, amounts due within one year	<u>632,474</u>
	<u>\$ 9,644,722</u>

In accordance with the indenture relating to the 6% Subordinated Debentures, the

principal amount to be redeemed by April 1, 1965 is \$210,600 and such amount less \$5,600 in treasury is reflected in the consolidated balance sheet at September 30, 1964 as a current liability.

4. Stockholders' Equity:

Preferred stock, \$5 cumulative; par \$100; callable at par; authorized 5,000 shares; issued September 30, 1964, 1,741 shares, less 141 shares in treasury.

Preferred stock is subject to a sinking fund requirement of 5% of adjusted net income of the Company and its domestic and Canadian subsidiaries. Current year requirements of \$4,300 is represented by treasury preferred stock.

Common stock, par \$2; authorized 1,500,000 shares; issued and outstanding, 1,272,725 shares.

The decrease of \$6,057 in capital surplus resulted from expenses regarding stock dividend paid in October (\$8,132), less the acquisition of preferred stock at a discount by the Company (\$2,075).

Certain provisions of the long-term 5 $\frac{3}{4}$ % promissory note restrict the payment of cash dividends. As of September 30, 1964, all of the retained earnings were so restricted under the provision requiring working capital to exceed 150% of long-term debt.

Unamortized goodwill, heretofore amortized over 20 years by charges to income, has been written off against retained earnings due to discontinuance of the applicable trade name and sale of a certain portion of the acquired companies.



Auditors' Report

To the Board of Directors and Stockholders of
Dunham-Bush, Inc.:

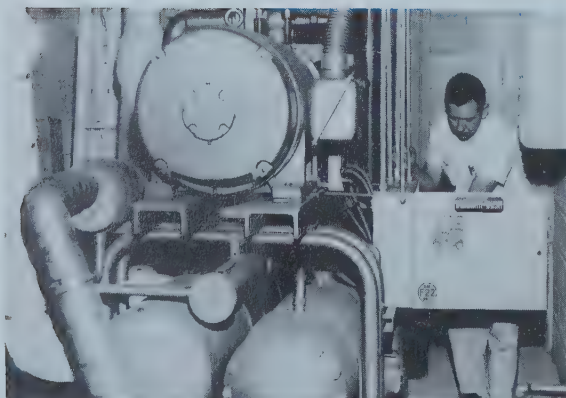
We have examined the consolidated balance sheet of DUNHAM-BUSH, INC. and its Subsidiaries as of September 30, 1964 and the related consolidated statement of income and retained earnings for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were furnished with the financial statements of the United States, Canadian and British wholly-owned subsidiaries, which statements were not examined by us, but were examined by other certified public or chartered accountants. Our opinion expressed herein, insofar as it relates to the amounts included for the subsidiaries, is based solely upon such reports. We made a similar examination for the fiscal year ended September 30, 1963.

In our opinion, the accompanying balance sheets and statements of income and retained earnings present fairly the consolidated financial position of Dunham-Bush, Inc. and its subsidiaries at September 30, 1964 and 1963, and the results of their operations for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

Hartford, Connecticut, November 11, 1964

Typical Product Installations

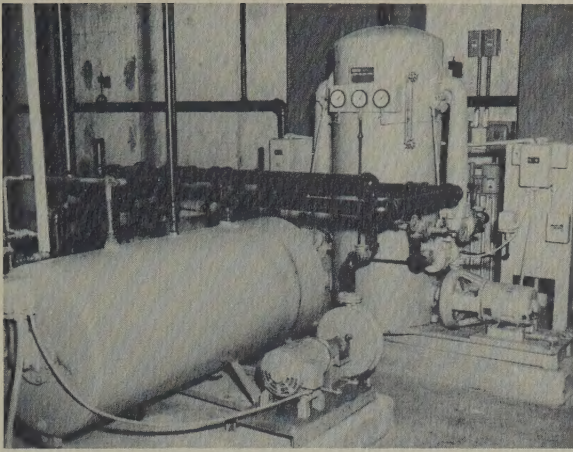


1. Package water chiller used to air condition industrial building.



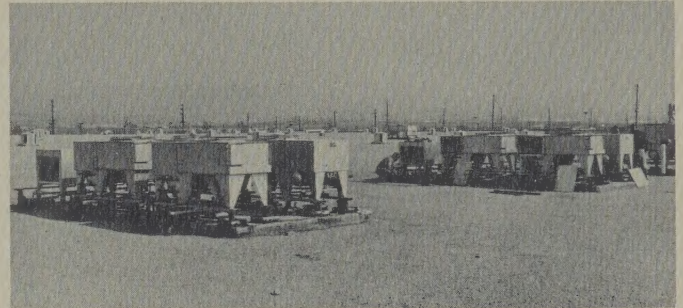
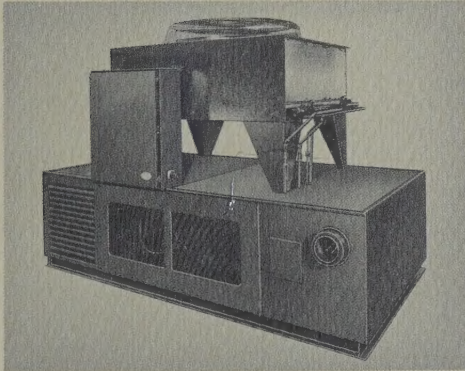
2. Multi-Drive compressors furnish refrigeration for frozen food warehouse storage at -10°F .

Typical Product Installations

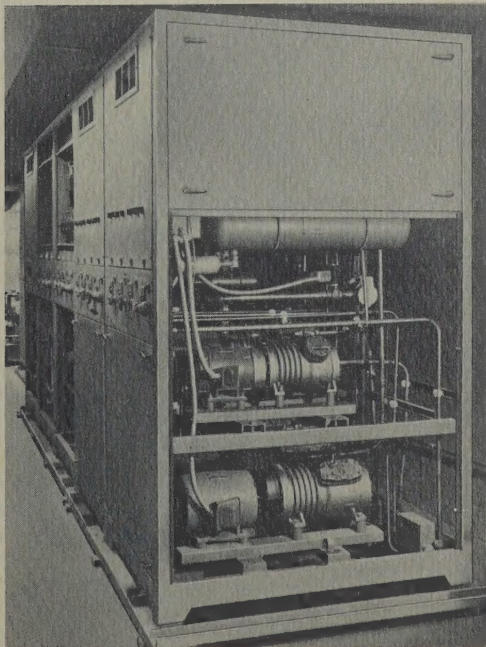


- 3.** Dunham-Bush vacuum and boiler feed pumps used in heating system for 10 story apartment building.

- 4.** 'ACE' package roof mounted refrigeration systems handle complete requirements for dairies, warehouses, supermarkets, etc.



- 5.** Dunham-Bush compressor, condenser, heat exchanger and cooling coil package cool Mark II and III environmental control systems.



- 6.** Super-Marketeer used to handle the complete refrigeration requirements of a supermarket.

Officers and Directors

Officers

CECIL BOLING, *President*
JAMES A. MULCAHEY, *Vice President*
JOHN J. CASTELLO, *Vice President—Sales*
FRANK T. CARNEY, *Vice President—Purchasing*
ALAN S. DECKER, *Vice President—Engineering*
WILLIAM H. JOHNSON, *Vice President—Manufacturing*
L. LESLIE GARNSEY, *Secretary and Treasurer*
PHILIP E. MURRAY, *Controller*
C. A. SILVA, *Assistant Secretary*
FRED J. CLARK, *Assistant Secretary*
ROBERT S. JOHNSTON, *Assistant Secretary*
EDWARD F. STEVENSON, *Assistant Secretary*

Board of Directors

CECIL BOLING, *President*
JAMES A. MULCAHEY, *Vice President*
EDWARD G. BREMNER, *President, Bremner Biscuit Company, Chicago, Ill.*
CHARLES H. KAMAN, *President, Kaman Aircraft Corporation, Bloomfield, Conn.*
SHELTON W. MOZLEY, *Vice President, Fusz-Schmelzle & Co., Inc., St. Louis, Mo.*
HAROLD E. READ, *First Vice President, Connecticut Bank and Trust Co., Hartford, Conn.*
HOWARD L. RICHARDSON, *Consultant, New Britain, Conn.*
S. MICHAEL SCHATZ, *Partner, Schatz and Schatz, Attorneys, Hartford, Conn.*
FREDERICK H. SCHROEDER, *President, Lee Higginson Corp., New York, N. Y.*

Subsidiaries—Officers

DUNHAM-BUSH OF CANADA LIMITED— Toronto

R. M. MITCHELL, *President, Treasurer and General Manager*
C. BOLING, *Vice President*
R. D. LONG, *Vice President*
A. L. GLOVER, *Vice President—Sales*
H. W. MACDONELL, *Secretary*
D. L. FOSTER, *Assistant Treasurer*
F. MURRAY, *Assistant Secretary*

DUNHAM-BUSH, LTD.— Portsmouth, England

J. A. MULCAHEY, *Managing Director*
N. W. CRAMMOND, *Director—Sales*
C. W. NAYLOR, *Director*
A. C. PATTEN, *Secretary*



Factories and Sales Offices

Main Offices and Factories

WEST HARTFORD, CONN., *Main Office, 179 South Street*
RIVERSIDE, CALIFORNIA, *1850 Massachusetts Ave.*
WEST HARTFORD, CONN., *Compressor Division,
179 South Street*
MICHIGAN CITY, INDIANA, *506 E. Second Street*
MARSHALLTOWN, IOWA, *811 E. Main Street*

SUBSIDIARIES

DUNHAM-BUSH OF CANADA LTD., *140 Wendell Ave.,
Weston, Ontario*
DUNHAM-BUSH, LTD., *Fitzherbert Road, Farlington,
Portsmouth, Hampshire, England*

U. S. SALES OFFICES

ALABAMA—*Birmingham*
ARIZONA—*Phoenix*
CALIFORNIA—*Los Angeles, Riverside, Sacramento,
San Diego, San Francisco*
COLORADO—*Denver*
CONNECTICUT—*Hartford*
DELAWARE—*Wilmington*
DISTRICT OF COLUMBIA—*Washington*
FLORIDA—*Jacksonville, Miami, Tampa, St. Petersburg*
GEORGIA—*Atlanta (Decatur)*
ILLINOIS—*Chicago, Elgin, Peoria*
INDIANA—*Indianapolis, Michigan City*
IOWA—*Davenport, Des Moines*
KANSAS—*Wichita*
KENTUCKY—*Louisville*
LOUISIANA—*New Orleans*
MARYLAND—*Baltimore*
MASSACHUSETTS—*Boston, Springfield*
MICHIGAN—*Detroit, Grand Rapids*
MINNESOTA—*Minneapolis, St. Paul*
MISSOURI—*Kansas City, St. Louis*
NEBRASKA—*Omaha*
NEW JERSEY—*Newark*
NEW MEXICO—*Albuquerque*
NEW YORK—*Albany, Buffalo, New York City, Rochester,
Syracuse*
NORTH CAROLINA—*Charlotte, Greensboro*
OHIO—*Akron-Youngstown, Cincinnati-Dayton, Cleveland,
Columbus, Toledo*
OKLAHOMA—*Oklahoma City*
OREGON—*Portland*
PENNSYLVANIA—*Allentown, Harrisburg,
Philadelphia-Bala Cynwyd, Pittsburgh*
RHODE ISLAND—*Providence*
TENNESSEE—*Nashville, Memphis*
TEXAS—*Dallas-Fort Worth, Houston, San Antonio*
UTAH—*Salt Lake City*
VIRGINIA—*Norfolk, Richmond*
WASHINGTON—*Seattle*
WEST VIRGINIA—*Charleston*
WISCONSIN—*Milwaukee*

CANADIAN SALES OFFICES

ALBERTA—*Calgary, Edmonton*
BRITISH COLUMBIA—*Vancouver*
MANITOBA—*Winnipeg*
NEWFOUNDLAND—*St. John's*
NOVA SCOTIA—*Halifax*
ONTARIO—*Hamilton, London, North Bay, Ottawa,
Port Arthur, Toronto*
QUEBEC—*Montreal, Quebec, Sherbrooke*
SASKATCHEWAN—*Regina*

DUNHAM-BUSH, INC. West Hartford, Conn. / Weston, Ontario, Canada / Portsmouth, England